



# MONTANA 2007

## Income Tax Booklet For Estates or Trusts

Dear Montana Business Taxpayer:

Your Montana Department of Revenue is committed to providing the best possible tax services to the citizens and businesses of our great state. We promise to do the best we can

- to provide you with the most accurate and timely assistance we can to help you file your tax returns, and
- to ensure that all citizens and businesses pay their fair share of Montana taxes—no more and no less.

You'll find charts on the inside cover that show how your tax dollars contribute to Montana's quality of life—through education at all levels, modern infrastructure, public order, community health and safety, and other important public services.

We hope you find this tax booklet helpful and easy to use. We invite you to e-mail any questions or requests you may have to [dorformsdesign@mt.gov](mailto:dorformsdesign@mt.gov). In addition, you may download our forms and instructions at [mt.gov/revenue](http://mt.gov/revenue) or call us at (406) 444-6900.

Finally, we continue to work for you. Please let us know how we are doing—so that we can do an even better job for you in the future—by completing the improvement survey attached to the instruction booklet. For your convenience, it is addressed with postage paid.

Thank you for helping make our tax system work for all Montanans!

Best regards,

Dan Bucks

Director, Montana Department of Revenue

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Montana Department of Revenue  
Post Office Box 5805  
Helena, MT 59604-5805

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OF REVENUE

No Return

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Forms and instructions can be received by calling (406) 444-6900, by e-mailing your request to [dorforms@mt.gov](mailto:dorforms@mt.gov), by downloading the forms from [mt.gov/revenue](http://mt.gov/revenue), or by sending your request to Montana Department of Revenue, P.O. Box 5805, Helena, Montana 59604-5805.

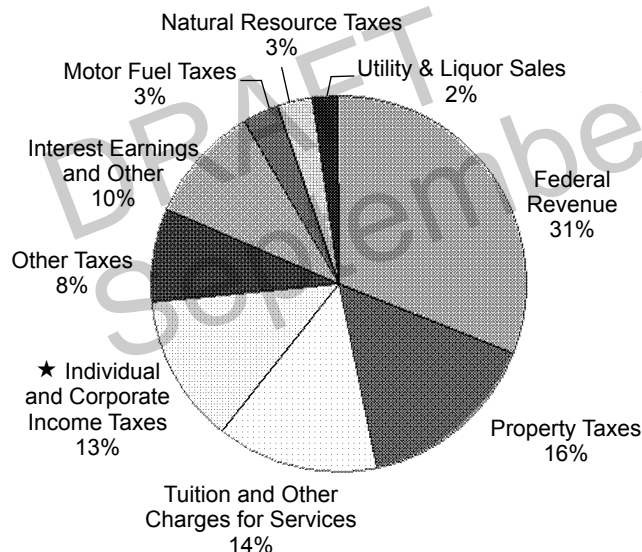
### Fiscal Year Filers - Please Note:

These are your Montana Income Tax Return for Estate and Trust forms for the tax year beginning in 2007. Retain this booklet for your 2007 filing purposes.

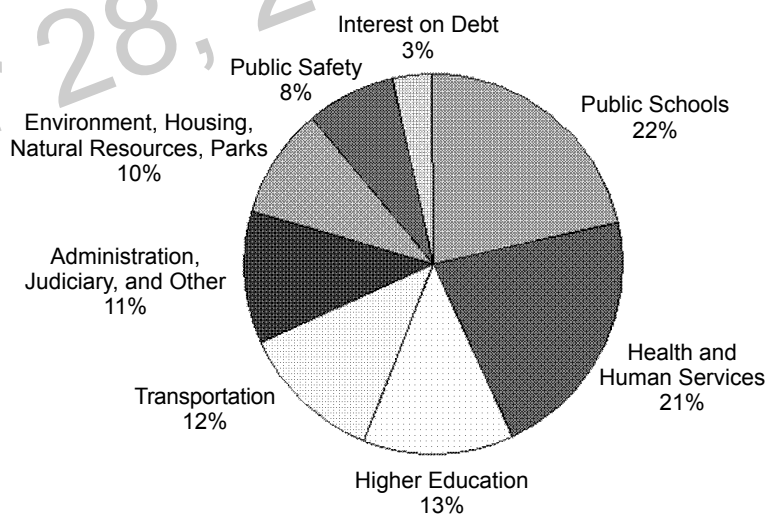
## Your Tax Dollars at Work

The first chart shows the sources of revenue for both state and local governments in Montana for 2005, the most recent year for which totals are compiled. The second chart shows state and local spending.

### What are Montana's Public Revenues?



### Where Do Your Public Dollars Go?



### ★ Where Your Income Tax Dollar Goes

Education .....	49%
Health and Human Services .....	21%
Public Safety and Corrections .....	11%
Transfers to Local Governments .....	7%
General Government Operations .....	7%
Other .....	5%
Total Spending .....	100%

### Important Numbers

Help Line .....(406) 444-6900  
Forms Request.....(406) 444-6900  
For the Hearing Impaired .....(406) 444-2830  
**These are not toll free numbers**

The table above shows where your individual and corporate income tax dollars—about 13% of total state and local revenues—were spent in 2006.

## Changes for 2007

**Taxability of Property Tax Refund** – If you received the property tax refund of up to \$400, authorized by the 2007 Legislature, you may have to include it in your taxable income. The refund should be included in your taxable income if you claimed a deduction in a prior tax year for the refunded property taxes.

If the personal representative (executor) of the estate of a deceased taxpayer executed and filed for the refund on behalf of a deceased taxpayer who qualified for the refund, the property tax refund received would be reported on line 12a.

Please refer to the instructions for line 12a on page 4 for further information.

**Late Payment Penalty Reduced** – Effective January 1, 2007, the late payment penalty has been reduced to 1.2% per month or fraction of a month. The penalty cannot exceed 12% of your tax.

**Interest on Unpaid Income Tax Liabilities** – Please note that the 8% rate which became effective January 1, 2007 will continue to be in effect through December 31, 2008. The daily accrual interest rate for all unpaid income taxes depends on the rate set by the Internal Revenue Service and may fluctuate each year, but will never be less than 8%. This rate applies to all income tax debts regardless of the age of the debt and does not affect any interest accrued before January 1, 2007.

## General Information

### Who Must File Form FID-3

The fiduciary of a Montana estate or trust (guardian, trustee, executor, administrator, receiver, conservator, or any person acting in a position of trust or fiduciary capacity for any other person or group of persons) must file a Montana Income Tax Return for Estates and Trusts (Form FID-3) if:

- a resident trust or estate has Montana adjusted total income of \$2,040 or more,
- a nonresident trust or estate has Montana adjusted total income of \$2,040 or more.

A return is not required to be filed if the estate or trust is held for an educational, charitable or religious purpose.

If an estate or trust is not required to file a federal return, it is not required to file a Montana return. No distinction is made between living trusts (created by the grantor and funded during his or her lifetime) and

testamentary trusts (becoming operative upon the death of the grantor).

### Resident Estate or Trust

An estate is treated as a resident estate if the decedent was domiciled in Montana on the date of his or her death. If the estate is other than an estate of a decedent, it is treated as a resident estate if the person for whom the estate was created is a Montana resident.

A trust is treated as a resident trust if three or more of the following occur in Montana:

- Domicile of the grantor,
- Creation of the trust,
- Existence of trust property,
- Domicile of the trustee,
- A Montana court is able to exercise primary supervision over the administration of the trust, or
- Administration of the trust (one or more Montana residents have the authority to control all substantial decisions of the trust).

### Nonresident Estate or Trust

If the estate or trust does not qualify as a resident estate or trust, it is treated as a nonresident trust.

With a nonresident estate or trust, your Montana tax liability is computed as if you were a resident estate or trust, and then multiplied by the ratio of the estate's or trust's Montana source income to total income.

Please refer to the instructions on page 9, Schedule II, Nonresident Estate and Trust Tax.

### What has to be Filed

The fiduciary has to file Form FID-3 and attach a complete copy of the federal income tax return Form 1041. All Schedule K-1s must be attached to the return. Upon approval, the fiduciary may submit federal Schedule K-1s on diskette or compact disk in an acceptable format. If you do not attach a complete copy of the federal return, your return may be considered delinquent.

### When to File

The return is due on or before the 15th day of the 4th month following the close of the estate or trust's taxable year. For a calendar year filer, the due date is April 15, 2008. For fiscal year estates and trusts, file Form FID-3 by the 15th day of the 4th month following the close of the tax year. If the due date falls on a weekend or a holiday, the return is due on the next business day.

## Tax Period or Year Covered by Return

Use the 2007 Form FID-3 to file your tax return for calendar year 2007, or the fiscal year beginning in 2007. If the return is for a fiscal year or a short tax year (less than 12 months), enter the taxable year in the space at the top of Form FID-3.

## Where to File

Please mail your fiduciary return to:

Montana Department of Revenue  
PO Box 5805  
Helena MT 59604-5805

## Accounting Method and Period

An estate or trust should use the same accounting method and accounting period as used for federal tax purposes. A change in accounting methods or accounting periods requires prior approval from the Internal Revenue Service. Attach a copy of the federal approval to your return if you change your accounting method or period.

## Electing Small Business Trust (ESBT)

If the trustee makes the election under IRC Section 1361 for the trust to be an electing small business trust (ESBT) for federal purposes, the trust will be treated as an ESBT for Montana income tax purposes. No separate election for Montana purposes is required.

Special rules apply when computing the tax of an ESBT. The portion of an ESBT that consists of stock of one or more S corporations, which is treated as a separate trust for federal tax purposes, is combined with the remainder (non S corporation portion) in computing Montana adjusted total income or loss. The Montana tax liability is calculated in the usual manner, using the regular tax table, on the combined income of the ESBT.

If the ESBT consists entirely of stock in one or more S corporations, complete Form FID-3 reporting the income, losses and deductions of the ESBT as an S corporation shareholder, and any gain or loss from the disposition of S corporation stock as Montana adjusted total income. Attach to the estate or trust return the tax computation used in reporting and paying your federal income tax liability.

## Grantor Type Trust

If the grantor or another person is treated as the owner of any portion of a trust by reason of the provisions of IRC Section 671 through 678, inclusive, of the Code, the trust is a grantor trust and its income is taxable to the grantor or such other person, not to

the trust. The fiduciary of a grantor trust is required to file with the department an informational return and send a copy to the grantor/owner, who is required to report the income, deductions, and credits on their Montana individual income tax return. Complete Form FID-3 (reporting the income, losses, and deductions of the grantor trust), check the box "Grantor Type Trust" and attach a copy of the federal Form 1041 information statement.

## Extension of Time to File

If you cannot file your return by the due date, Montana allows an automatic six-month extension of time to file your return if you meet *both* of the following requirements:

1. On or before the due date of your return, you have applied with the Internal Revenue Service for an extension of time to file your federal income tax return (federal extension Form 7004).
2. The estate or trust has paid by estimated tax payments, withholding tax, or a combination of estimated tax payments and withholding tax, 90% of the estate's or trust's current-year tax liability or 100% of its previous year's tax liability.

A valid federal extension is not considered a valid Montana extension unless the estate or trust has met one of the payment requirements identified in item #2 on or before the prescribed due date of the return. Complete the Montana EXT Worksheet to determine if you have met the payment requirements. If you are required to make an extension payment, use the tax payment coupon included on the Montana EXT Worksheet.

You must check the extension indicator box on Form FID-3 and attach a copy of your federal extension Form 7004 to your completed Montana income tax return. Do not send copies of the federal extension prior to filing your return.

**IMPORTANT:** An extension of time to file is *not* an extension to pay. If you do not pay the tax amount due by the original due date, you will owe interest and penalties on any balance due.

If you do not meet these requirements, your extension will be denied and penalties will be assessed.

## Amended Return

If you discover that your income tax return was incorrect, you have five years from the due date of the original return to file an amended Montana fiduciary return and to correct any mistake on your previous return. When you file this amended return,

you will need to complete a new Montana Form FID-3 that reflects the corrections that you are making to your previously filed return and check the "Amended Return" box located in the upper left hand corner of Form FID-3.

If the Internal Revenue Service changes the federal taxable income of your estate or trust, or if you voluntarily change your federal taxable income, you must file an amended Montana income tax return within 90 days of receiving notification from the Internal Revenue Service or filing your amended federal return. The amended return must identify the federal adjustments and recalculated Montana tax for the year adjusted.

### Tax Preparer Contact Box

The fiduciary may authorize the department to discuss its tax return with its paid preparer by checking the "Yes" box at the bottom of page 2. Checking "Yes" will allow the department to contact the paid preparer to answer any questions that may arise during the processing of the return.

### Estimated Tax Payments

You are required to pay your income tax liability throughout the year. A payment of estimated Montana income tax is generally required if the Montana income tax (after tax credits) minus Montana tax withheld is \$500 or more.

### Additional Information.

If you are unable to pay your tax in full, file your return by the due date and pay as much as you can with the return. If you need to establish a payment plan with us, call (406) 444-6900 as soon as possible to discuss payment options and make payment arrangements.

### Rounding

Round the amounts on the return to the nearest whole dollar.

### Signature

The fiduciary or officer representing the fiduciary is required to sign the return.

## Form FID-3 Instructions

These are instructions for lines not fully explained on the form. General instructions, which begin on page 1, also apply to this form.

**Heading.** File the 2007 return for calendar year 2007 or a fiscal year that begins in 2007 and ends in 2008. For a fiscal year, fill in the tax year space at the top of the form.

Complete the exact name of the estate or trust from federal Form SS-4 (Application for Employer Identification Number) that you used to apply for your Federal Employer Identification Number (FEIN).

If a grantor type trust, write the name, identification number and address of the grantor(s) or other owner(s) in parentheses after the name of the trust.

Enter the FEIN that was assigned to the estate or trust when you submitted your SS-4 and which corresponds to the name of the estate or trust. Do not use any other FEIN.

### Check Boxes

**Residency status.** Check the appropriate box that describes the residency status of the estate or trust. See resident and nonresident estate or trust definitions on page 1 of these instructions.

**Type of entity.** Check the appropriate box that describes the entity for which you are filing the return. Your entity type is the same as claimed on your federal return.

Check "Trust" for a simple, complex, or qualified disability trust.

Check "ESBT" when you are an electing small business trust. This entity type is used for the combined filing of the S corporation items and the normal items of the trust that are separately stated on the federal Form 1041.

Check "Other" for bankruptcy estates and pooled income funds.

**Form PT-WH income tax.** If you have income tax withheld from ownership in an S corporation, partnership or disregarded entity, check the box on the front of Form FID-3 and see the instructions for line 54 on page 6.

### Line Instructions

**Lines 1 through 8** - Enter all items of income or loss reported on your federal income tax return. Attach copies of applicable federal schedules and forms.

**Line 2a - Ordinary Dividend Income.** Enter total amount reported on line 2a of federal Form 1041. Montana taxes dividends as ordinary income and does not recognize the federal qualified dividend tax rate.

**Line 9** - Add Lines 1 through 8. This is your federal total income and must match your federal total income reported on federal Form 1041. If you are an ESBT, see page 1 of these instructions.

**Montana Additions to Federal Taxable Income**

**Line 10 - Interest and Mutual Fund Dividends from Other States' State, County or Municipal Bonds.** Enter the interest income from state and local government obligations, except for Montana and its political subdivisions, that is exempt from federal income tax and the portion of dividends received from a mutual fund that is attributable to the fund's investment in the same kinds of obligations.

**Line 11 - Dividends Not Included in Federal Total Income.** Enter the amount of the dividends that you received as Montana source income that are not already included in your total federal income. Do not include your qualified dividends reported on Montana Form FID-3, line 2b since these dividends are already in the total of your ordinary dividends reported on Montana Form FID-3, line 2a.

**Line 12 - Taxable Federal Refund.** If you claimed a federal tax deduction, either by withholding or by payment of an estimated tax in a prior year, any refund of that tax is income in the year it is received.

**Line 12a - Taxable State Property Tax Refund.** Report the Montana state property tax refund you received if the following apply:

- You received the refund in 2007
- The refund was for property taxes you claimed as a deduction on your Montana return

**Line 13 - Other Recoveries.** If you claimed a deduction in a prior year that reduced the Montana taxable income and it was subsequently reimbursed, please show that reimbursement here.

**Line 14 - Federal Net Operating Loss (NOL).** Enter the federal NOL carryforward if it is included in line 8 above and if it is different than the amount available for carryforward for the Montana return.

**Line 15 - Other Additions.** List type of income and amount. Please attach a detailed schedule if necessary.

**Line 16 - Total Additions.** Add Lines 10 through 15 and enter the result on line 16.

**Montana Subtractions from Federal Taxable Income**

**Line 17 - Interest from U.S. obligations.** Enter the following on this line if included in the amount on line 1:

- Interest income from U.S. obligations. Common sources of interest income that may be entered on this line include U.S. Series E, F, G, and H savings bonds, U.S. Treasury bills and notes, and securities issued by the Banks for Cooperatives, Commodity

Credit Corporation, Federal Deposit Insurance Corporation, Federal Farm Credit System, Federal Home Loan Banks, and Student Loan Marketing Association.

- Interest income from other securities that is specifically exempted from state income tax by federal statute.
- The portion of dividend income from a mutual fund attributable to the fund's investment in the same kinds of securities listed above. Refer to federal Form 1099-DIV to determine what percentage of dividends qualifies for this exemption.

Obligations that are guaranteed by the United States government are not tax exempt. Interest or mutual fund dividends attributable to Government National Mortgage Association (Ginnie Mae) bonds, Federal National Mortgage Association (Fannie Mae) bonds, or Federal Home Loan Mortgage Corporation (Freddie Mac) securities, cannot be subtracted.

**Line 18 - State Tax Refunds.** If a state refund is included on line 8, deduct it here.

**Line 19 - Other Recoveries.** If a recovery was shown as income on line 8, but the original deduction did not reduce Montana taxable income, deduct it here.

**Line 20 - Pension and Annuity Exemption.** You may be able to exempt up to \$3,600 of taxable pension and annuity income. Qualifying pension and annuity income is reported on federal Form 1099-R, with a distribution code 7.

Tier II Railroad Retirement benefits, received from the Railroad Retirement Board are exempt from Montana tax. Enter the full amount of Tier II annuity or pension benefits reported on line 8 as a reduction to income on line 20. To calculate your pension and annuity income exclusion, use the worksheet on this page.

**Partial Pension and Annuity Income Exemption Worksheet**

1. Enter the federal total income from line 9 here. .... 1. \_\_\_\_\_
2. Phase-out limitation. .... 2. \_\_\_\_\_  
If line 1 is smaller than line 2, enter the smaller of the pension and annuity income or \$3,600 on line 20. Stop here; do not complete the remainder of this worksheet.
3. If line 1 is larger than line 2, subtract line 2 from line 1 and enter the result here. .... 3. \_\_\_\_\_
4. Enter the smaller of the pension and annuity income or \$3,600. .... 4. \_\_\_\_\_
5. Double the amount on line 3 and enter the result here. .... 5. \_\_\_\_\_



6. Pension and annuity exclusion. Subtract line 5 from line 4. If the result is zero or negative, there is no exclusion. If the number is positive, enter the result here and exclude this amount on Form FID-3, line 20. This is your partial pension and annuity exemption. .... 6. \_\_\_\_\_

**Line 21 - Montana Net Operating Loss.** Use Form NOL for calculating your net operating loss for tax years beginning after December 31, 1998. You must carryback the entire amount of your 2007 net operating loss to the two preceding tax years before the net operating loss unless you have timely elected to forego your carryback and elect to carry forward your net operating loss. Your election to forego the carryback must be made by the due date of your return and, once it is made, it is irrevocable.

Use Form NOL-Pre 99 for calculating your net operating losses for tax years beginning prior to January 1, 1999. Attach your completed NOL Worksheet to your return.

**Line 22 - Other Subtractions.** Please specify. Attach information if necessary.

**Line 23 - Total Subtractions.** Add Lines 17 through 22 and enter the result on line 23.

**Line 24 - Total Montana Income.** Add Lines 9 and 16, then subtract line 23 and enter the result here.

### Deductions and Exemptions

**Line 25 - Interest.** From line 10 of federal Form 1041. Check the box if federal Form 4952 is attached.

**Line 26 - Federal Income Tax.** Enter 100% of the federal income tax paid or accrued within the tax year. As an estate or trust, the federal income tax deduction is not limited to the lesser of \$5,000 or the amount of federal income tax paid or accrued. Do not include state taxes paid.

**Line 27 - Other Taxes.** Please specify.

**Line 28 - Fiduciary Fees.** From line 12 of federal Form 1041.

**Line 29 - Charitable Deduction.** From line 13 of federal Form 1041.

**Line 30 - Attorney, Accountant and Return Preparer Fees.** From line 14 of federal Form 1041.

**Line 31 - Other Deductions not Subject to the 2% Floor.** Please attach a schedule.

**Line 32 - Allowable Miscellaneous Itemized Deductions Subject to the 2% Floor.** Attach a schedule if applicable.

**Line 33 - Total Deductions.** Add Lines 25 through 32 and enter here. These are your allowable deductions before distributions and the exemption.

**Line 34 - Adjusted Total Income (or Loss).** Subtract line 33 from line 24 and enter the result on line 34.

**Line 35 - Income Distribution Deduction.** Complete Form FID-3, Schedule I and attach.

**Line 36 - Exemption.** Each estate and trust is allowed one exemption of \$2,040.

**Line 37 - Total Deductions and Exemption.** Add Lines 35 and 36 and enter the result here. These are your total deductions, income distribution and exemption.

**Line 38 - Taxable Income.** Subtract the amount on line 37 from the amount on line 34. This is your Montana taxable income.

**Line 39 -** Enter the amount from line 38 (taxable income).

**Line 40 - Tax Liability.** For resident estates and trusts, use the tax table on Form FID-3, Page 4 to compute your tax liability.

For nonresident estates and trusts, use Schedule II to complete the calculation of the tax liability. Please see instructions for the computation of the Montana tax liability on page 6. If line 38 is zero or less, enter zero.

**Line 41 - Capital Gains Tax Credit** (15-30-183, MCA). You can claim a capital gains credit against your Montana income tax of up to 2% of the net capital gains that you reported on Form FID-3, line 4. This credit is nonrefundable, since it is applied directly against the tax liability and cannot reduce the liability below zero. The credit cannot be carried back or carried forward and is applied before any other credits. If the trust or estate is a nonresident, apply this credit to the Montana income tax computed on line 40 as if it were a resident.

**Line 42 - Resident Tax After Capital Gains Tax Credit.** Complete line 42 if you are a resident or nonresident. If you are a resident, this is your resident tax after capital gains tax credit. Skip line 42a and go to line 43. If you are a nonresident go to line 42a.

**Line 42a - Nonresident Tax after Capital Gains Credit.** Complete Schedule II on page 4 of Form FID-3 to figure the nonresident tax. Enter the result from line 17 of Schedule II on line 42a.

**Line 43 - Tax on Lump-Sum Distributions.** If you qualify on your federal return for special averaging of your lump-sum distribution and have not included it as ordinary pension income in federal adjusted gross

income, you are required to pay Montana income tax on this distribution. Your Montana tax liability on the lump-sum distribution is 10% of the federal tax calculated on federal Form 4972. Attach a copy of federal Form 4972.

**Line 44 - Total Tax.** If the estate or trust is a resident, add Lines 42 and 43 and enter the result on line 44. If it is a nonresident, add Lines 42a and 43 and enter the result on line 44.

**Line 45 - Nonrefundable Credits Against Tax.** Enter nonrefundable single-year credits from Form FID-3, Schedule III, line 12. Please attach the applicable information if required.

**Line 46 - Nonrefundable Credits With Carryover Provisions.** Enter nonrefundable credits that have a carryover provision from Schedule III, line 26. Please attach the applicable information if required.

**Line 47 - Total Nonrefundable Credits.** Add lines 45 and 46 and enter the result on line 47. This amount cannot be larger than the amount on line 44.

**Line 48 - Family Education Savings Account Recapture Tax.** If you have a recapturable withdrawal from your family education savings account, you will pay a 6.9% recapture tax on the withdrawal rather than including the withdrawal in your Montana adjusted gross income.

A recapturable withdrawal is a withdrawal that is not used to pay for qualified higher education expenses, or one taken within three years from the date you opened the account.

Multiply the recapturable withdrawal by 6.9% and enter the result on line 48.

**Line 49 - Endowment Credit Recapture Tax.** If you previously claimed an endowment credit and had taken a charitable deduction for a gift you contributed to a qualified endowment, and you now have received the gift back, you will be required to recapture the previous credit to the extent it reduced your tax liability.

Include in income on line 19, Form FID-3, any amounts that were previously shown as a deduction. Enter on line 49, Form FID-3, the amount of your recapture credit.

**Line 50 - Rural Physician's Credit Recapture Tax.** If you have previously claimed the rural physician's tax credit and have subsequently ended your practice, within four years following the year you claimed the credit you are required to pay back your previous credit(s) claimed.

- **Example 1:** If you claimed four consecutive \$5,000 rural physician's credits for a total of \$20,000 in years 2002, 2003, 2004 and 2005 and in 2006 you ended your practice in the rural area, you are required to pay back the \$20,000 credit on your 2006 return.
- **Example 2:** If you claimed four consecutive \$5,000 rural physician's credits for a total of \$20,000 in years 2000, 2001, 2002 and 2003 and in 2006 you ended your practice in the rural area, you are required to pay back \$10,000 of your previous credits that were claimed in 2002 and 2003. You are entitled to the 2000 and 2001 credits since you maintained your practice in the rural area for at least 4 years after becoming eligible for this credit.

Enter on line 50 the amount of the rural physician's credit recapture.

**Line 51 - Total Recapture Tax.** Add lines 48, 49 and 50 and enter the result on line 51.

**Line 52 - Tax Liability.** Add lines 44 and 51 and subtract the amount on line 47.

**Line 53 - Montana Income Tax Withheld.** Enter the amount of your Montana income tax withheld and reported on federal Form W-2, box 17 or on federal Form 1099-R, box 10. When claiming Montana income tax withheld, you are required to attach a copy of your withholding statement(s), which show the Montana income tax withheld. Failure to attach the withholding statement(s) to the return will delay processing.

**Line 54 - Estimated Tax Payments.** If you have made estimated tax payments, enter the total of the estimated tax payments. Include in this amount the 2006 refund that you requested to be applied to the 2007 estimated tax account. Include on this line amounts reported to you on Montana Form PT-WH. The Form PT-WH will show withholding (if applicable) from ownership in an S corporation, partnership or disregarded entity. Do not include in this total any income taxes paid for a previous year since these are not estimated taxes paid for tax year 2007.

**Line 55 - Extension Payments.** If you paid an extension payment on or before April 15, 2008 in order to qualify for an extension to file your return, enter that amount on Form FID-3, line 55. To determine if you need to make an extension payment, complete the Extension Payment Calculation Worksheet, Montana Form EXT-07.

**Line 56 - Refundable Credits.** You may be eligible for one or more of the three refundable credits that are available on the Montana income tax return.



Complete Form FID-3, Schedule III, page 5 to determine the amount of refundable credits to be entered on line 56. Refer to the section of instructions on Montana tax credits found on page 9 for a detailed explanation.

**Line 57 - Total Payments and Refundable Credits.**

Add lines 53 through 56 and enter the result on line 57.

**Line 58 - Interest on Underpayment of Estimated Taxes.**

You are required to pay your income tax liability throughout the year. You can make payments through employer withholding, installment payments of estimated taxes, or a combination of both.

If you did not pay in advance at least 90% of the estate's or trust's current year tax liability (after applying credits) or 100% of the previous year's tax liability (after applying credits) interest may be due on the underpayment of estimated tax.

To calculate the interest, complete either Form W, or Form EST-I, Interest on Underpayment of Estimated Tax Payments. The form can be accessed by visiting our web site at [mt.gov/revenue](http://mt.gov/revenue) or by calling us at (406) 444-6900.

**Line 59 - Late File, Late Pay Penalties and Interest.**

- **Late File Penalty.** If you file your return late, you will be assessed a late file penalty of \$50 or the amount of tax you due whichever is less. If you are filing your return late and you have a refund, you are not assessed a late file penalty.

To calculate your late file penalty, subtract line 57 from line 52 and enter the lesser of this result or \$50.

- **Late Pay Penalty.** If you have not paid 100% of your income tax liability on or before the 15th day of the 4th month following the close of your tax year, you will be assessed a late payment penalty. The penalty is 1.2% per month or fraction of a calendar month on the unpaid balance. The penalty may not exceed 12% (10 months x 1.2%) of the tax due.

To calculate your late pay penalty, subtract line 57 from line 52 and then multiply this result by 1.2% per month or fraction of a calendar month your payment is late. In no instance will your late pay penalty exceed 12% (10 months X 1.2%).

- **Interest.** If 100% of your tax liability is not paid by April 15, 2008 (for a calendar year return), interest is due at a rate of 8% per year, computed daily on your unpaid balance.

To calculate your interest, subtract line 57 from line 52 and then multiply this result by 0.0002192

(0.02192%) times the number of days after April 15, 2008 your payment is received.

Please remember that a valid extension of time to file your return by October 15, 2008 does not extend the due date to pay your income tax later than April 15, 2008.

If you owe more than one of the items listed above, enter each applicable amount in the worksheet below.

Type	Amount
Late file penalty	_____
Late pay penalty	_____
Interest	_____
Total	_____

Enter the total on 59. (You may wish to keep this worksheet as part of your records for future reference.)

**Line 60 - Other Penalties.** Include on Form FID-3, line 60, any of the following penalties if they apply to your situation.

- **First-Time Home Buyer Savings Account 10% Penalty.** If you withdrew funds from your first-time home buyer savings account for purposes other than to pay for eligible costs for the purchase of a single family residence, you are required to pay a 10% penalty on the withdrawal unless the withdrawal is on the last business day of the business year. Complete Form FTB-P and enter the amount of the penalty on line 60. Attach a copy of the Form FTB-P to the tax return.
- **Medical Care Savings Account 10% Penalty.** If you withdrew funds from your medical care savings account for purposes other than to pay for eligible medical costs, you are required to pay a 10% penalty on the withdrawal, unless the withdrawal is on the last business day of your business year. Complete Form MSA-P and enter the amount of the penalty on line 60 and attach a copy of Form MSA-P to the tax return.
- **Farm and Ranch Risk Management Account 10% Penalty.** If you have not distributed the deposits and income from your farm and ranch risk management account within five years, they are considered distributed. A 10% penalty is required on the amount of tax due on the amount considered distributed. Enter on Form FID-3, line 60, the amount of the farm and ranch risk management account 10% penalty.

If you are required to pay more than one of the penalties listed above, enter on line 60, the sum of the penalties.

**Line 61 - Contributions to Montana Check-Off**

**Programs.** Enter the sum of the contributions to the Montana check-off programs on line 61. Montana's tax statutes provide you with the opportunity to contribute to the following programs via your income tax return. The contribution will increase the amount you owe or reduce the amount of your refund.



- **Line 61a - Nongame Wildlife Program.** Your contributions to this program are used to ensure the well-being of Montana's watchable wildlife species, such as eagles, herons, bluebirds, great horned owls, loons, chipmunks, pikas, flying squirrels and painted turtles.



- **Line 61b - Child Abuse Prevention Program.** Your contributions to this program fund services and activities related to the prevention of child abuse and neglect. If you enclose a separate check with your timely filed return you are allowed to take an itemized deduction for the amount of the contribution on the return you are filing with this contribution.



- **Line 61c - Agriculture in Montana Schools Program.** Your contributions to this program fund the development and presentation of educational programs. This program ensures Montana's young people have a better understanding of agriculture in our state and how it relates to the rest of the world.



- **Line 61d - End-stage Renal Disease Program.** Your contributions fund a program for persons suffering from end-stage renal disease. This program assists persons suffering from chronic renal disease in obtaining the medical, nursing, pharmaceutical and technical services necessary to care for the disease.

**Line 62 - Total Tax, Penalties, Interest and**

**Contributions.** Add the amounts on line 52, 58, 59, 60 and 61 and enter the result on line 62. This is your total tax, penalties, interest and check-off program contributions.

**Line 63 - Amount that You Owe.** If line 62 is more than line 57, enter the difference on line 63. This is the amount that is due with the 2007 FID-3 tax return.

You may pay the amount you owe by personal check, money order, cashier check, credit card or e-check. When making the payment, make it payable to the Montana Department of Revenue and use the coupon that is provided with this booklet. When paying by personal check, please write the FEIN and the tax year on the memo line of the check.

If you wish to pay by credit card or e-check, visit our website at <http://mt.gov/revenue> and access Income Tax Express. The department accepts Visa or Mastercard.

If you cannot pay the entire amount with the tax return, we encourage you to file the return timely and pay as much as you can. By filing and paying as much as you can by April 15, 2008, you will not be assessed a late filing penalty, and you will reduce the amount of the late pay penalties and interest that is assessed against the outstanding balance. If a payment plan is needed, please call us at (406) 444-6900 as soon as possible to make payment arrangements.

**Line 64 - Overpayment.** If line 62 is less than line 57, enter the difference on line 64. This is your overpayment.

**Line 65 -** Enter the amount from line 64 that you want applied to the 2008 estimated tax account.

**Line 66 - Refund.** Subtract line 65 from line 64 and enter the result here. This is the amount of your refund.

If you wish to use direct deposit, in the space provided, enter your financial institution's routing number (RTN#), your account number (ACCT#) and whether this account is your checking or savings account. Your routing number will be nine digits and your account can be up to 17 characters (both numeric and alpha).

A sample check is provided for your convenience. Your direct deposit will be rejected if the routing number or account number is incorrectly listed. If your direct deposit is rejected, we will have to mail you a refund check.

John Taxpayer Jane Taxpayer 23 Main Street Anyplace, MT 59000		1234
Pay to the Order of _____		\$ <input type="text"/>
Anyplace Bank Anyplace, MT 59000		Dollars
Routing Number 123456789	Account Number 12345678901234	<b>Do not</b> include the check number in the account number

## Schedule I – Distribution to Beneficiaries

This schedule must list the name, address, social security number, federal employer identification number, and residency status of each beneficiary. In addition, you must provide each beneficiary's share of income or loss. Please use the dollar amount and not the percentage. If there are more than 15 beneficiaries, attach a separate schedule.

## Schedule II - Nonresident Estate and Trust Identification of Montana Source Income

Please show the total income in column A and the Montana portion of that income in column B of Form FID-3, Schedule II. Include only the income that has not been distributed.

The following line-by-line instructions are for nonresident estates and trusts that have Montana source income.

**Line 1 - Interest Income.** Enter on line 1 that portion of the interest income that was received from an installment sale of real property in Montana. Include on line 1 any interest that was received from a business or commercial property that is located in Montana and that is included in the total federal income on Form FID-3, line 1.

Interest received from financial institutions, notes, dividends on capital stock, royalties from patents and copyrights is not taxable to Montana.

**Line 2 - Ordinary Dividends.** Generally, the dividends are not considered Montana source income and should not be included on line 2.

**Line 3 - Business Income or Loss.** Enter on line 3 that portion of the net income or loss that is reported on Form FID-3, line 3 that was received from any trade, business, profession, or occupation carried on in Montana. If you have more than one business, complete a separate federal Schedule C for each business activity.

**Line 4 - Capital Gain or Loss.** Enter on line 4 that portion of the gains or losses that are included in the total on Form FID-3, line 4, that was received on the sale or transfer of tangible property located in Montana. A gain or loss from tangible property that is used or held in connection with the trade or business or occupation, is reportable here.

**Line 5 - Montana Source Rental Real Estate, Royalties, Partnerships, S Corporations, etc.** If the estate or trust is a nonresident entity, enter the Montana portion of the following income or losses that are included in the total income on Form FID-3, line 5:

- Net rental income or loss from real property and tangible personal property located in Montana.
- Net royalties to the extent that the income received is for the production, fabrication, manufacturing, or other processing in Montana, or the patented product is produced in Montana.
- Net copyright royalties to the extent that the printing and other publication originated in Montana.
- Partnership income derived from a trade, business, occupation or profession carried on in Montana.
- S corporation income derived from a trade, business, occupation or profession carried on in Montana. S corporation income or loss is a shareholder's percentage of the corporation's net income and deductions derived from Montana. Attach Schedule K-1(s).
- Estate and trust income derived from a trade, business, occupation or profession carried on in Montana. Estate and trust income or loss is the beneficiary's share of the income and deductions from a trust, which has nexus in Montana. Attach Schedule K-1(s).

**Line 6 - Farm Income or Loss.** Report the farm income or loss that was received from the farming activity carried on in Montana. Attach a separate federal Schedule F if necessary, showing only the Montana farm activity.

**Line 7 - Ordinary Gain or Loss.** Enter here an ordinary gain or loss that was received from the sale or exchange of business property located in Montana and reported on the federal Form 4797. Attach a copy of the Form 4797.

**Line 8 - Other Income or Loss.** Enter any other income or loss attributed to Montana that is not identified on Lines 1 through 7. This includes, but is not limited to:

- Montana lottery winnings
- Non-employee compensation

**Line 9 - Montana Source Interest and Mutual Fund Dividends From Other States, County or Municipal Funds.** Enter the interest and dividend income from bonds and obligations of other states or their political subdivisions that are attributed to Montana.

**Line 11 - Montana Source Federal Refund.** If a federal tax deduction was claimed in a prior year, any refund of that tax is income in the year it is received.

**Line 12 - Other Recoveries.** If a deduction in a prior year was claimed and reduced the Montana taxable income, and you were subsequently reimbursed, please show that reimbursement here.

**Line 13 - Other Montana Source Additions.** Enter any other source of Montana income that has not been included or identified in the lines above.

**Line 14 - Total Montana Source Income.** Add Lines 1 through 13, Form FID-3, Schedule II.

**Line 15 - Nonresident Tax Computation.** Divide the amount in column B, line 14, by the amount in column A, line 14 and enter the result on line 15. Carry to 4 decimal places and do not enter more than 100%.

**Line 16 - Nonresident Estate and Trust Tax.** Using the tax table, compute the tax on the amount shown on line 39. Subtract the capital gains tax credit shown on line 41 (if applicable).

**Line 17 - Nonresident Estate and Trust Tax After Capital Gains Tax Credit.** Multiply the amount on line 16 by the percentage amount on line 15. This is the amount of the nonresident tax after the capital gains tax credit. Enter the result on Form FID-3, page 2, line 42a.

### Schedule III - Montana Tax Credits

There are three categories of credits available on the Montana FID-3 form. With the exception to the capital gains credit, which is required to be applied before any other credit, you are not required to apply any of the other credits in a particular order.

- **Nonrefundable single-year credits.** The nonrefundable single-year credits can only be used to offset the 2007 tax after the capital gains credit and cannot reduce the tax liability below zero. The unused portion of the nonrefundable single-year credits that exceed the 2007 tax liability are lost and are unable to be used in future years.
- **Nonrefundable carryover credits.** The nonrefundable carryover credits can be used to offset the 2007 tax after capital gains credit and cannot reduce the tax liability below zero. The excess nonrefundable credits that were not applied against the 2007 tax liability can be carried over and used to offset future year tax liabilities.
- **Refundable credits.** The refundable credits are applied against the income tax liability with any unused credit refunded to you.

If the trust is a grantor trust, the credits are reported on the Montana individual income tax return.

#### Nonrefundable Single-Year Credits

**Line 1 - Credit for Tax Paid to Another State or Country.** 15-30-124, MCA. This credit is available to resident beneficiaries and to resident estates and

trusts only. Beginning with the 2007 tax year, to the extent you claimed the foreign tax credit on your federal return you cannot use this credit.

If all or part of the income reported on this return is subject to taxation in another state or country and you have filed a return and paid a net income tax to a state or foreign country, a credit may be claimed against the Montana income tax. A credit is allowable against the Montana income tax only if the tax paid to a state or foreign country was based on net income of the same taxable year and only if the income taxed by the state or foreign country was derived from sources without Montana. A copy of the return filed with any state or foreign country for which credit is claimed must be attached to Form FID-3. To determine if a credit is available, complete Form FID-3, page 6, Schedule IV.

If you are a shareholder of an S corporation or a partner in a partnership and the S corporation or partnership pays an income tax, excise tax, or franchise tax which was measured by and imposed on net income to another state or country, you may claim a credit for your share of these taxes paid by the entity.

You are not allowed to use other taxes paid by the S corporation or partnership, such as, but not limited to, franchise or license taxes or fees that are not imposed on or measured by net income, gross receipt taxes or gross sales taxes.

When you claim this credit for the taxes paid by the entity, you will have to add back to the Montana income your share of the S corporation's or partnership's federal tax deduction that is included in your total income. This is required whether or not the S corporation or partnership separately or non-separately stated the income tax deduction on the federal Form K-1.

If you are required to file an income tax return in more than one state or country and you are entitled to the credit, complete a separate Schedule IV for each state or country in which an income tax return was filed, and tax was paid on the income that is also taxed to Montana.

A credit is not allowed if the other state or country in which you have filed has allowed a credit against the taxes they have imposed on the net income.

When calculating the credit on Form FID-3, page 6, Schedule IV, do not include penalties and interest that you paid to the other state or country in the calculation.

**Line 2 - College Contribution Credit (Form CC).**

15-30-163, MCA. Taxpayers who make charitable contributions to the general endowment funds of the Montana University System or to the general endowment fund of a Montana private college or its foundation during the year are allowed a credit in the amount of 10% of the aggregate of these contributions. The maximum amount of credit that can be claimed is \$500 per year with no provision for carry-back or carry-over. For detailed instructions, see Form CC. If the credit is claimed, attach a copy of Form CC to the tax return.

**Line 3 - Qualified Endowment Credit (Form QEC).**

15-30-167, MCA. Beneficiaries are entitled to a credit for 40% of the present value of a planned gift made during the year to the qualified Montana endowment or for 20% of a direct contribution to a qualified endowment. The maximum amount of the credit that a beneficiary may claim is \$10,000 with no provision for carry-back or carry-over. The value of the gift that you used when you calculated the credit cannot be claimed as a charitable contribution on Form FID-3, line 29. For detailed instructions, see Montana Form QEC. If the credit is claimed, attach a copy of Form QEC to the tax return. To learn more about the endowments statewide, visit the Governor's Task Force on Endowed Philanthropy website at [www.endowmontana.org](http://www.endowmontana.org).

**Line 4 - Energy Conservation Installation Credit (Form ENRG-B).**

15-32-109, MCA. If the estate or trust is a resident entity, a credit against the income tax liability may be claimed for energy conservation investments made. The credit is equal to 25% of the expenses for a maximum credit of up to \$500. Examples of the capital investments that qualify for this credit are hot water heaters and household heating or cooling systems. In order to qualify for the credit, proof must be available that the investment will reduce the waste or dissipation of energy or reduce the amount of energy required to accomplish a given amount of work. For detailed instructions see Montana Form ENRG-B. If this credit is claimed, attach a copy of Form ENRG-B to the tax return.

**Line 5 - Alternative Fuel Credit (Form AFCR).** 15-30-164, MCA. You can claim a credit for equipment and labor costs that you incur in order to convert a motor vehicle licensed in Montana to operate on alternative fuel. The maximum credit is equal to 50% of the equipment and labor costs incurred but cannot exceed: \$500 for conversion of a motor vehicle with a gross weight of 10,000 pounds or less; \$1,000 for conversion of a motor vehicle with a gross vehicle weight over 10,000 pounds. For detailed instructions,

see Form AFCR. If the credit is claimed, attach a copy of Form AFCR and a detailed schedule of the costs to the tax return.

The credit should not be confused with the federal deduction for the purchase of a qualified clean-air vehicle.

**Line 6 - Health Insurance for Uninsured Montanans Credit (Form HI).**

15-30-185, MCA. Employers can claim a credit for the health insurance premiums that are paid by that employer for its employees. If you are using insurance premiums to calculate the Insure Montana Credit (line 28) these premium payments cannot be used to calculate the Health Insurance for Uninsured Montanans Credit. For detailed instructions, see Form HI. If the credit is claimed, attach a copy of Form HI to the tax return.

**Line 7 - Elderly Care Credit (Form ECC)** 15-30-128, MCA. You can claim a credit against the income tax liability for paying certain expenses of providing care to an elderly family member. The credit is limited to \$5,000 per qualifying family member in a taxable year and to \$10,000 total for two or more family members in a taxable year. For detailed instructions, see Form ECC. If the credit is claimed, attach a copy of Form ECC to the tax return.

**Line 8 - Developmental Disability Account**

**Contribution Credit.** 15-30-187, MCA. An individual, corporation, partnership or small business corporation is allowed a credit equal to 30% of the amount donated during the year to the Montana Developmental Disability Service Account. The maximum credit that you can claim is \$10,000 and cannot exceed your tax liability. If this credit is claimed, the contribution cannot be deducted as a reduction to taxable income on your return. There is no carry-over provision allowed and the credit must be applied in the year the donation is made. For further information, call the Montana Department of Public Health and Human Services at (406) 444-2995 or visit their website at <http://www.dphhs.mt.gov/dsd/>.

**Line 9 - Recycle Credit/Deduction (Form RCYL).**

15-32-602-603, MCA. A business is entitled to a credit for investments in equipment or machinery used to collect, process, or manufacture a product from reclaimed material or depreciable property that treats soil contaminated by hazardous wastes. The credit is a percentage (5% to 25%) of the cost of the property, before consideration of trade-in equipment. An exception to this is that the basis will be reduced by any trade-in for which this credit has previously been taken. For detailed instructions, see Form RCYL. If



this credit is claimed, attach a copy of Form RCYL to the tax return.

**Line 10 - Oilseed Crushing and Biodiesel/Biolubricant Production Credit (Form OSC).** 15-32-701 and 15-32-702, MCA. You can claim a credit for the cost of investments in qualifying depreciable property used to crush oilseed crops for the purpose of making biodiesel fuel or biolubricant, or used to construct or equip a facility in Montana to be used for producing biodiesel or biolubricant. This credit can be carried over for seven succeeding years if the facility is crushing oilseed during that tax period. If the facility for which the credit is claimed ceases operations for a period of 12 consecutive months within five years of claiming the credit, the credit is subject to recapture. For detailed instructions, see Form OSC. If this credit is claimed, attach a copy of Form OSC to the tax return.

**Line 11 - Biodiesel Blending and Storage Credit (Form BBSC).** 15-32-703, MCA. A credit can be claimed by a qualified taxpayer for the cost of investments in depreciable property used for storing or blending biodiesel made from Montana products with petroleum diesel for sale. This credit can be carried over for seven succeeding tax years if the facility is blending or storing biodiesel for blending. If the facility ceases blending biodiesel for sale for a period of 12 consecutive months within five years of claiming the credit, the credit is subject to recapture. If the facility's biodiesel sales are not at least 2% of all diesel sales by the end of the third year after the credit is initially claimed, the credit is subject to recapture. For detailed instructions, see Form BBSC. If this credit is claimed, attach a copy of Form BBSC to the tax return.

### **Nonrefundable Carryover Credits**

**Line 13 - Contractor's Gross Receipts Tax Credit.** 15-50-207, MCA. A business is entitled to a credit for the public contractor's gross receipts tax paid. The credit is the gross receipts tax paid throughout the year after the personal property taxes are deducted. If the business reports its income on a percentage-of-completion basis, the credit has to be prorated proportionately. To support the credit that you claim, attach a schedule or statement including the contract name (and number, if any); location; general description (for example: building, road, bridge, etc.); names of awarding agency and the prime contractor and the amount of gross receipts tax paid, as well as the amount that has been applied to personal property taxes. The credit cannot exceed the tax liability and any credit balance remaining can be carried forward by beneficiaries for five succeeding tax years.

**Line 14 - Geothermal System Credit (Form ENRG-A).** 15-32-115, MCA. A credit can be claimed for a portion of the installation costs of a geothermal system in the taxpayer's principal dwelling or in a residence constructed by the taxpayer. Only one credit may be claimed for a residence. The credit of \$1,500 can be carried forward for seven succeeding tax years. For detailed instructions, see Form ENRG-A. If this credit is claimed, attach a copy of Form ENRG-A to the tax return.

**Line 15 - Alternative Energy Systems Credit (Form ENRG-B).** 15-32-201, MCA. A credit can be claimed for the cost of purchasing and installing an energy system using a recognized non-fossil form of energy, such as, but not limited to, solar energy, wind energy, solid waste, and organic waste in the principal home. Also qualifying is the cost of purchasing and installing an energy system using a low-emission wood or biomass combustion device, such as a pellet or wood stove in the principal residence. The credit of \$500 per resident can be carried forward for four succeeding tax years. For detailed instructions, see Form ENRG-B. If this credit is claimed, attach a copy of Form ENRG-B to the tax return.

**Line 16 - Alternative Energy Production Credit (Form AEPC).** 15-32-402, MCA. A credit is available for a qualified investment of \$5,000 or more in depreciable property for the use of a commercial system or a net metering system that is located in Montana and that generates energy by means of an alternative renewable energy source. The credit is 35% of the eligible costs associated with the purchase, installation, or upgrading of generating equipment, safety devices and storage equipment, transmission lines necessary to connect with existing transmission facilities, and transmission lines necessary to connect directly to the purchaser of the electricity when no other transmission facilities are available. The credit is further limited, in that it can only be applied against the tax liability due as a consequence of the alternative energy system generating taxable or net income. The credit can be carried forward for seven succeeding years. An exception to the seven year carry forward period applies when the investment is located within the exterior boundaries of a Montana Indian reservation. For detailed instructions, see Form AEPC. If this credit is claimed, attach a copy of Form AEPC to the return.

**Line 17 - Dependent Care Assistance Credit (Form DCAC).** 15-30-186 and 15-31-131, MCA. An employer can claim a credit for amounts paid or incurred for dependent care assistance provided to employees. This assistance can be in the form of:



- acquiring, constructing, reconstructing, renovating, or improving real property for primary use as a day care facility;
- providing dependent care assistance to employees that meet the requirements of IRS code 26 USC 129(d)(2) through (d)(6);
- providing information and referral services to assist employees within the state in obtaining dependent care.

For detailed instructions, see Form DCAC. If this credit is claimed, attach a copy of Form DCAC to the tax return.

**Line 18 - Historic Property Preservation Credit (Federal Form 3468).** 15-30-180, MCA. A credit equal to 25% of the federal rehabilitation credit provided in IRC Section 47(a)(2) for the preservation of certain historic buildings located in Montana is allowed. If this credit is claimed, attach a copy of the federal Form 3468 to the tax return.

As an alternative to the percentage of the federal rehabilitation credit, a credit equal to 20% of the cost of creating a conservation easement and for the diminishing value of the historic property, including its building and structure, that resulted from placing a conservation easement on the property may be claimed.

**Line 19 - Montana Capital Company Credit.** 90-8-202, MCA. A credit against the tax liability may be claimed if you have a Montana capital company credit carryover. No new capital company credits are available at this time. The credit is available if an investment was made in a qualified Montana capital company within four years of July 1, 1987 or in a qualified Montana small business investment capital company within four years of July 1, 1991. Report the carryover of Montana capital company credit on Form FID-3, page 5, line 19.

**Line 20 - Infrastructure Users Fee Credit.** 17-6-316, MCA. A business located in Montana can qualify for a credit for the infrastructure users fee paid by your new business to a local government. To claim this credit you have to meet the criteria set forth in 17-6-309(2), MCA, and pay the infrastructure users fee. If this credit is claimed, a statement from the county certifying the amount of the infrastructure users fee paid and the timeliness of the payment must be attached. The unused portion of the infrastructure users fee credit may be carried back three years or carried forward seven years.

**Line 21 - Empowerment Zone Credit.** 15-30-182, MCA. If you are an employer who has a business

in an empowerment zone, you are allowed a credit for each new qualifying employee. To be eligible for this credit you have to be certified by the Montana Department of Labor and Industry. The credit may be carried back three years and carried forward seven years.

**Line 22 - Increasing Research Activities Credit (Form RSCH).** 15-30-168 and 15-31-150, MCA. A credit against the tax liability may be claimed for the increase in qualified research expenses and basic research payments that your business conducted in Montana. The credit is determined in accordance with Section 41 of the Internal Revenue Code. The applicable percentage rate for the Montana credit is 5%. For detailed instructions, see Montana Form RSCH. If this credit is claimed, attach a copy of Form RSCH to the tax return.

**Line 23 - Mineral Exploration Incentive Credit (Form MINE-CRED).** 15-32-503, MCA. A credit can be claimed for certified expenditures of mining exploration activities. Certified expenditures are the costs that are incurred for activities that directly support the exploration activity conducted at a specific exploration site. This credit applies to activities associated with both new mines and mines that are being reopened. A completed Form MINE-CRED has to be attached to your return. To obtain this credit, you will first have to submit a request that details the work done and the expenses incurred. This has to be done within 60 days following the end of the calendar year and reported on a form provided by the Department of Revenue. The department has until September 30 to certify whether expenses qualify for the credit.

**Line 24 - Film Employment Production Credit (Form FPC).** 15-31-907, MCA. You can claim a credit against the tax liability for employing residents of Montana in a state-certified production. The credit is equal to the sum of 14% of the first \$50,000 or less that was compensated to each Montana resident who was employed in a state-certified production.

When claiming the employment production credit, you cannot include the compensation used to calculate the credit as a deduction when computing your net income for corporate license tax or individual income tax purposes.

When claiming the credit, you will make a one-time election to either:

- apply the credit against the tax liability by reporting it on Form FID-3, page 5, Schedule III, line 24 and carrying forward any unused credit to be applied against the tax liability in subsequent years; or

- apply the credit against the tax liability by reporting it on Form FID-3, page 5, Schedule III, line 26 in which any unused credit is refunded to you.

For detailed instructions, see Montana Form FPC. If you claim this credit, attach a copy of Form FPC to the tax return.

**Line 25 - Adoption Tax Credit.** 15-30-135, MCA. You can claim a credit against the tax liability for adoption expenses related to the legal adoption of an eligible child. The credit is equal to \$1,000 in the tax year the adoption is final. The credit can be carried forward for 5 succeeding tax years.

### Refundable Credits

**Line 27 - Film Employment Production Credit (Form FPC).** 15-31-907, MCA. You can receive a refundable film employment production credit if you made the one time election to apply the credit against the tax liability and requested a refund of the unused credit. You may also elect to carry forward the credit.

The film employment production credit is equal to the sum of 14% of the first \$50,000 or less that was compensated to each Montana resident who was employed in a state certified production.

When claiming the employment production credit, you cannot include the compensation used to calculate the credit as a deduction when computing your net income for corporate license tax or individual income tax purposes.

For detailed instructions, see Montana Form FPC. If you claim this credit, attach a copy of Form FPC to the tax return.

**Line 28 - Film Qualified Expenditures Credit (Form FPC).** 15-31-908, MCA. You can receive a refundable film qualified expenditures credit for expenditures made in Montana in connection with your state-certified production. The credit is equal to 9% of the total qualified expenses incurred in connection with the production.

When claiming the qualified expenditure credit, you cannot include the expenditures used to calculate the credit as a deduction when computing your net income for corporate license tax or individual income tax purposes.

For detailed instructions, see Montana Form FPC. If you claim this credit, attach a copy of Form FPC to the tax return.

**Line 29 - Insure Montana Small Business Health Insurance Credit.** If you were the owner of a business that received a tax credit from the Insure Montana Small Business Health Insurance program,

enter the amount of credit you are entitled to on line 29. The amount of credit you may claim is the total credit amount issued to the business multiplied by your ownership percentage. For example, if you were a 50% owner and the business received \$6,000 in tax credit, you are entitled to claim \$3,000 (\$6,000 x 0.50 (50%).

If you claim a credit for insurance premiums paid during the year, you have to include the amount of insurance premiums that you used to compute this credit in your income for the year that you incurred this expense.

If you are using insurance premiums to calculate the Health Insurance for Uninsured Montanans Credit (line 6) these premium payments cannot be used to calculate the Insure Montana Credit.

Enter the Federal Employer Identification Number (FEIN) of the business which received the credit in the space provided. If you were the owner of more than one company receiving the credit, enter the FEIN of the company that received the highest amount of credit. Attach a copy of the letter from the State Auditor's Office providing the final amount of tax credit the business received.

### Schedule IV – Credit for an Income Tax Liability Paid to Another State or Country, Full-Year Resident Only

A resident estate or trust may claim a credit for an income tax liability paid to another state or country by the estate or trust, its S corporation or partnership. If your estate or trust claims this credit for an income tax paid by its S corporation or partnership, the estate or trust will need to include its share of the S corporation's or partnership's deduction for income tax paid, as an addition to net income on Form FID-3, line 15.

- Your credit is limited to an income tax liability paid on income that is also taxed by Montana.
- Your income taxes paid include excise taxes or franchise taxes that are imposed on and measured by the net income of your S corporation or partnership.
- This is a nonrefundable credit and cannot reduce your Montana tax liability below zero.
- This is a nonrefundable single year credit. No unused credit amount can be carried forward.
- You will need to complete a separate Schedule IV for each state or country that you have paid

an income tax liability to. You can not combine payments on one schedule.

### **Schedule V – Reporting of Special Transactions**

Complete Schedule V only if the estate or trust was required to complete for federal income tax purposes one or more of the federal forms that are identified on this schedule. If the estate or trust is required to complete this schedule because you have answered “yes” to one or more of the statements, attach a copy of the federal Form 1041 and the corresponding federal form to the Montana fiduciary return. For further information on the reporting of special transactions, see Schedule V.

DRAFT  
September 28, 2007

DRAFT  
September 28, 2007

2007

## Montana Income Tax Return for Estates and Trusts

MONTANA  
Form FID-3

For the calendar year 2007 or the tax year beginning (mm-dd) \_\_\_\_\_, 2007, ending (mm-dd) \_\_\_\_\_, 20\_\_\_\_

<input type="checkbox"/> Initial Return <input type="checkbox"/> Final Return <input type="checkbox"/> Amended Return Residency status <input type="checkbox"/> Resident <input type="checkbox"/> Nonresident <input type="checkbox"/> Check this box if you are claiming PT-WH	Name of estate or trust. (If a grantor trust, see instructions.)		Federal Employer Identification Number	
	Name and title of fiduciary		Attach a copy of your federal Form 1041 and Schedule K-1(s)	Type of entity Check only one <input type="checkbox"/> Decedent's Estate <input type="checkbox"/> Trust <input type="checkbox"/> ESBT <input type="checkbox"/> Grantor Trust <input type="checkbox"/> Other
	Mailing Address	<input type="checkbox"/> Check if this is a change of address		
	City or town, state and Zip code + 4			

Enter amounts corresponding to your federal return. Round to nearest dollar. If no entry leave blank

Income	1. Interest income.....	1.	
	2a. Total ordinary dividends.....	2a.	
	2b. Qualified dividends allocable to: (1) Beneficiaries <input type="text"/> (2) Estate and Trust <input type="text"/>		
	3. Business income or (loss). Attach federal Schedule C or C-EZ (Form 1040) NAICS <input type="text"/>	3.	
	4. Capital gain or (loss). Attach federal Schedule D (Form 1041) .....	4.	
	5. Rents, royalties, partnerships, other estates and trusts, etc. Attach federal Schedule E (Form 1040) .....	5.	
	6. Farm income or (loss). Attach federal Schedule F (Form 1040).....	6.	
	7. Ordinary gain or (loss). Attach federal Form 4797.....	7.	
	8. Other income. List type and amount: .....	8.	
9. Add lines 1, 2a, and 3 through 8 and enter the result here. This is your total federal income.....	9.		
Line 9 must equal your total income reported on your federal Form 1041. (See instructions for Electing Small Business Trust.)			
Additions	10. Interest and mutual fund dividends from other states' state, county and municipal bonds .....	10.	
	11. Dividends not included in federal total income .....	11.	
	12. Taxable federal refund .....	12.	
	12a. Taxable property tax refund .....	12a.	
	13. Other recoveries of amounts deducted in earlier years that reduced Montana taxable income .....	13.	
	14. Federal net operating loss carry forward included in Form FID-3, line 8 above .....	14.	
	15. Other additions. List type and amount. ....	15.	
16. Add lines 10 through 15 and enter the result here. <b>This is your total Montana additions to income.</b> ...	16.		
Subtractions	17. Exempt interest and mutual fund dividends from federal bonds, notes, and other obligations .....	17.	
	18. State tax refunds included on Form FID-3, line 8 above .....	18.	
	19. Other recoveries of amounts deducted in earlier years that did not reduce Montana taxable income.....	19.	
	20. Partial pension and annuity income exemption. See worksheet and instructions on page 3.....	20.	
	21. Montana net operating loss carry forward from Montana Form NOL Schedule B.....	21.	
	22. Other subtractions. List type and amount. ....	22.	
	23. Add lines 17 through 22 and enter the result here. <b>This is your total Montana subtractions from income.</b> ...	23.	
24. Add lines 9 and 16 then subtract line 23 and enter the result here. <b>This is your total Montana income.</b> .	24.		
Deductions and Exemptions	25. Interest <input type="checkbox"/> Check the box if federal Form 4952 is attached .....	25.	
	26. Federal income tax .....	26.	
	27. Other taxes .....	27.	
	28. Fiduciary fees .....	28.	
	29. Charitable deduction.....	29.	
	30. Attorney, accountant, and return preparer fees .....	30.	
	31. Other deductions not subject to the 2% floor. (Attach schedule.).....	31.	
	32. Allowable miscellaneous itemized deductions subject to the 2% floor.....	32.	
	33. Add lines 25 through 32 and enter here. This is your deductions before distributions and exemptions.....	33.	
	34. Subtract line 33 from line 24 and enter the result here. <b>This is your adjusted total income or (loss).</b> ...	34.	
	35. Income distribution deduction. Complete and attach Form FID-3, Schedule I .....	35.	
	36. Exemption.....	36.	2,040
	37. Add lines 35 and 36 and enter the result here. <b>This is your total deductions and exemptions.</b> .....	37.	
	38. Subtract line 37 from line 34 and enter the result here. <b>This is your Montana taxable income.</b> .....	38.	

<div style="display: flex; justify-content: space-between;"> <span><b>X</b></span> <span></span> <span></span> <span></span> </div>			
Signature of fiduciary (or officer representing fiduciary)	Date	FEIN of fiduciary if a financial institution	Telephone number
I declare under penalty of false swearing that the information in this return and attachments is true, correct and complete.			



Entity Name \_\_\_\_\_ Tax period ending \_\_\_\_\_ FEIN: \_\_\_\_\_

**Schedule I - Distribution to Beneficiaries**

List name and address of each beneficiary receiving a portion of distributions reported on line 35. If more than 10 beneficiaries, attach a separate schedule.

A		B	C	D	E	F
Name and Address of Beneficiary ( Name Street Address City   State   Zip Code )		Identification Number		Interest and Dividends Received by Beneficiary	Capital Gains Received by Beneficiary	Other Income Received by Beneficiary
1.		SSN FEIN	<input type="checkbox"/> Resident <input type="checkbox"/> Nonresident			
2.		SSN FEIN	<input type="checkbox"/> Resident <input type="checkbox"/> Nonresident			
3.		SSN FEIN	<input type="checkbox"/> Resident <input type="checkbox"/> Nonresident			
4.		SSN FEIN	<input type="checkbox"/> Resident <input type="checkbox"/> Nonresident			
5.		SSN FEIN	<input type="checkbox"/> Resident <input type="checkbox"/> Nonresident			
6.		SSN FEIN	<input type="checkbox"/> Resident <input type="checkbox"/> Nonresident			
7.		SSN FEIN	<input type="checkbox"/> Resident <input type="checkbox"/> Nonresident			
8.		SSN FEIN	<input type="checkbox"/> Resident <input type="checkbox"/> Nonresident			
9.		SSN FEIN	<input type="checkbox"/> Resident <input type="checkbox"/> Nonresident			
10.		SSN FEIN	<input type="checkbox"/> Resident <input type="checkbox"/> Nonresident			
Column Totals						

Use additional sheets if necessary or you may create your own schedule if you use the exact same format used here.

<b>Schedule II: Nonresident Estate and Trust Tax (Include only the income that has not been distributed.)</b>		<b>Column A - Enter the corresponding income from Form FID-3, page 1</b>	<b>Column B – Montana source income included in the amount in Column A</b>
1. Montana source interest income. ....	1.		1.
2. Montana source ordinary dividends.....	2.		2.
3. Montana source business income or (loss.) .....	3.		3.
4. Montana source capital gain or (loss.) .....	4.		4.
5. Montana source rental real estate, royalties, partnerships, S corporations, other estates and trusts, etc. ....	5.		5.
6. Montana source farm income or (loss.) .....	6.		6.
7. Montana source ordinary gain or (loss.) .....	7.		7.
8. Montana source other income. ....	8.		8.
9. Montana source interest and mutual fund dividends from other states' state, county or municipal funds. ....	9.		9.
10. Montana source dividends not included in federal adjusted gross income. ....	10.		10.
11. Montana source taxable federal refund. ....	11.		11.
12. Montana source other recoveries of amounts deducted in earlier years that reduced Montana taxable income in those years. ....	12.		12.
13. Montana source other additions. ....	13.		13.
14. Add lines 1 through 13 and enter the result here. This is your Montana source income in column B. ....	14.		14.
15. Divide the amount in Column B, line 14 above by the amount in Column A, line 14 above and enter result here. Carry to 4 decimal places and do not enter more than 1.0000. ....	15.		15.
16. Enter your resident tax after capital gains credit reported on Form FID-3, line 42. ....	16.		16.
17. Multiply the tax on line 16 by the percentage on line 15 and enter the result here and on Form FID-3, page 2, line 42a. This is your nonresident tax after capital gains credit. ....	17.		17.

**How do I determine what is my Montana source income when I am a non-resident trust or estate?**

In general, as a non-resident estate or trust your Montana source income is all the income that you receive for work performed in Montana, income that you receive from real or personal property that is located in Montana, and income that you receive from a business conducted in Montana. Please refer to page 8 of the instruction booklet for Schedule II.

2007 Montana Fiduciary Income Tax Table									
If your Taxable Income is Over	but not Over	Multiply your Taxable Income by	and Subtract	equals your Tax	If your Taxable Income is Over	but not Over	Multiply your Taxable Income by	and Subtract	equals your Tax
\$0	\$2,500	0.010	\$0		\$9,000	\$11,600	0.050	\$225	
\$2,500	\$4,400	0.020	\$25		\$11,600	\$14,900	0.060	\$341	
\$4,400	\$6,600	0.030	\$69		\$14,900	or more	0.069	\$475	
\$6,600	\$9,000	0.040	\$135						

For example: Taxable income \$4,500 X .03(3%) = \$135.

\$135 minus \$69 = \$66 tax

**Schedule III: Montana Tax Credits****Nonrefundable credits that are single-year credits and HAVE NO carryover provision.**

1. Enter credit from an income tax liability paid to another state or country from Form FID-3, Schedule IV. Attach Form FID-3, Schedule IV. ....	1.	
2. College contribution credit. Attach Form CC. ....	2.	
3. Qualified endowment credit. Attach Form QEC. ....	3.	
4. Energy conservation installation credit. Attach Form ENRG-C. ....	4.	
5. Alternative fuel credit. Attach Form AFCR. ....	5.	
6. Health insurance for uninsured Montanans credit. Attach Form HI. ....	6.	
7. Elderly care credit. Attach Form CC. ....	7.	
8. Developmental disability account contribution credit. ....	8.	
9. Recycle credit. Attach Form RCYL. ....	9.	
10. Oil seed crushing and biodiesel production facility credit. Attach Form OSC. ....	10.	
11. Biodiesel blending and storage tax credit. Attach Form BBSC. ....	11.	
12. Add lines 1 through 11 and enter result here and on FID 3, line 45. <b>This is your total nonrefundable single-year credits.</b> ....	12.	

**Nonrefundable credits that HAVE a carryover provision.**

13. Contractor's gross receipts tax credit. ....	13.	
14. Geothermal systems credit. Attach Form ENRG-A. ....	14.	
15. Alternative energy systems credit. Attach Form ENRG-B. ....	15.	
16. Alternative energy production credit. Attach Form AEPC. ....	16.	
17. Dependent care assistance credit. Attach Form DCAC. ....	17.	
18. Historic property preservation credit. Attach federal Form 3468. ....	18.	
19. Montana capital company credit. ....	19.	
20. Infrastructure user's fee credit. ....	20.	
21. Empowerment zone credit. ....	21.	
22. Increasing research activities credit. Attach Form RSCH. ....	22.	
23. Mineral exploration incentive credit. Attach Form MINE-CRED. ....	23.	
24. Film employment production credit. Attach Form FPC. Report your credit on this line if you have made the one-time four year carry forward election. ....	24.	
25. Adoption credit. ....	25.	
26. Add lines 13 through 25 and enter result here and on Form FID-3, line 46. <b>This is your total nonrefundable credits.</b> ....	26.	

**Refundable credits.**

27. Film employment production credit. Attach Form FPC. ....	27.	
28. Film qualified expenditure credit. Attach Form FPC. ....	28.	
29. Insure Montana small business health insurance credit. Business FEIN: _____	29.	
30. Add lines 27 through 29 and enter result here and on Form FID-3, line 56. <b>This is your total refundable credits.</b> ....	30.	

**MONTANA TAX CREDITS**

If the trust is a grantor trust, any of the credits above must be reported on the Montana Individual Income Tax Return.

Enter the credits on Schedule I, Column G.

There are three categories of credits available to your estate or trust and we have listed the 26 Montana tax credits under these three categories. With the exception to the capital gains tax credit, which is required to be applied before any other credit, (refer to the instructions for Form FID-3, line 41) you are not required to apply any of the 25 other tax credits against your income tax liability in any particular order.

**Nonrefundable single-year credits.** Your nonrefundable single-year credits can only be used to offset your 2007 resident or non-resident tax after capital gains credit and cannot reduce your tax liability below zero. The unused portion of your nonrefundable single-year credits that exceeded your 2006 income tax liability are lost and are unable to be used in future years.

**Nonrefundable carryover credit.** Your nonrefundable carryover credits can be used to offset your 2006 resident or part-year resident tax after capital gains credit and cannot reduce your tax liability below zero. Your excess nonrefundable credits that were not applied against your 2006 income tax liability can be carried over and used to offset future year tax liabilities.

**Refundable credits.** Your refundable credits are applied against your income tax liability with any unused credit refunded to you.

**Schedule IV: Credit for an Income Tax Liability Paid to Another State or Country. Full-year resident only.**

1. Enter your income taxable to another state or country that is included in Montana income on Form FID-3, line 24. Where applicable, this includes your share of income taxes paid that were claimed as a deduction by your S corporation or partnership. ....	1.	
2. Enter your total income from the other state or country you used in calculating your income tax paid to that state or country. Include in this total all income exempt from Montana income tax that was subject to tax in the other state or country. ....	2.	
3. Enter your total Montana income from Form FID-3, line 24. Where applicable, this includes your share of income taxes paid that are claimed as a deduction by your S corporation or partnership. ....	3.	
4. Enter your total income tax liability paid to the other state or country. ....	4.	
5. Enter your Montana tax liability from Form FID-3, line 42. ....	5.	
6. Divide line 1 by line 2. Enter the percentage here, but not greater than 100%. ....	6.	
7. Multiply line 4 by line 6 and enter the result here. ....	7.	
8. Divide line 1 by line 3. Enter the percentage here, but not greater than 100%. ....	8.	
9. Multiply line 5 by line 8 and enter the result here. ....	9.	
10. Enter here and on Form FID-3, Schedule III, line 1, the smaller of the amounts reported on lines 4, 7, or 9 above. This is your credit for an income tax paid to another state or country. ....	10.	

**Schedule V: Reporting of Special Transactions**

Complete Schedule V only if your estate or trust filed for federal income tax purposes any of the federal forms described below. Check the appropriate box indicating which form(s) you filed with your federal income tax return. If your answer is "yes" to one or more of these forms, you will need to attach a complete copy of your federal income tax return Form 1041.	Check "yes" if you filed any of the following forms with the Internal Revenue Service.
1. My estate or trust filed federal <b>Form 8264 – Application for Registration of a Tax Shelter</b> with the Internal Revenue Service. .... Form 8264 is required to be filed to register a tax shelter. ....	<input type="checkbox"/> YES
2. My estate or trust filed federal <b>Form 8271 – Investor Reporting of Tax Shelter Registration Number</b> with the Internal Revenue Service. .... Form 8271 is used to report the tax shelter registration number that the Internal Revenue Service assigns to certain tax shelters required to be registered under 26 USC 6111 and to report the name and identifying number of the tax shelter. ....	<input type="checkbox"/> YES
3. My estate or trust filed federal <b>Form 8824 – Like-Kind Exchanges</b> with the Internal Revenue Service. .... NOTE: Check "yes" if your like-kind exchange includes Montana property. Non-residents do not have to report a like-kind exchange if the properties involved do not include Montana property. Form 8824 is used to report each exchange of business or investment property for property of a like kind. ....	<input type="checkbox"/> YES
4. My estate or trust filed federal <b>Form 8865 – Return of U.S. Persons With Respect to Certain Foreign Partnerships</b> with the Internal Revenue Service. .... Form 8865 is used to report the information required under 26 USC 6038 (reporting with respect to controlled foreign partnerships), section 6038B (reporting of transfers to foreign partnerships), or section 6046A (reporting of acquisitions, dispositions, and changes in foreign partnership interest). ....	<input type="checkbox"/> YES
5. My estate or trust filed federal <b>Form 8886 – Reportable Transaction Disclosure Statement</b> with the Internal Revenue Service. .... Form 8886 is used to disclose information for each reportable transaction in which you participated. ....	<input type="checkbox"/> YES
6. My estate or trust filed federal <b>Form 13656 – Notice of Election by Executive and Related Person to Participate in Announcement 2005-19 Settlement Initiative</b> with the Internal Revenue Service. .... Form 13656 is an election to participate in the settlement initiative as described in Announcement 2005-19 and as contained in Internal Revenue Bulletin 2005-11 dated March 14, 2005. ....	<input type="checkbox"/> YES
7. My estate or trust filed federal <b>Form 13750 – Election to Participate in Announcement 2005-80 Settlement Initiative</b> with the Internal Revenue Service. .... Form 13750 is an election to participate in the settlement initiative as described in Announcement 2005-80 and as contained in Internal Revenue Bulletin 2005-46 dated November 14, 2005. ....	<input type="checkbox"/> YES